

Economic Development Committee EDC 02-01 (min)

MINUTES

Date	31 January 01
Time	2.00-5.30pm
Venue	Committee Room 1, National Assembly for Wales Building.

Attendance

Members

Constituency

Val Feld (Chair)

Swansea East

Alun Cairns

South Wales West

Christine Chapman

Cynon Valley

Glyn Davies

Mid and West Wales

Ron Davies

Caerphilly

Mike German (Economic
Development Minister)

South East Wales

Christine Gwyther

Carmarthen West and South Pembrokeshire

Alison Halford

Delyn

Brian Hancock

Islwyn

Dafydd Wigley

Caernarfon

Phil Williams

South Wales East

Sue Essex

Minister for the Environment

Officials

Derek Jones

Senior Director, Economic Affairs, Transport, Planning & Environment

David Pritchard

Director Economic Development Department

Gareth Edwards

Economic Policy Division

Gary Davies

Director Industrial Development Division

David Hobbs

Deputy Director Industrial Development Division

Neil Hortop

Competitiveness & Infrastructure Division

John Clarke

Chief Executive WEFO

Rachel Clancy

OCG

External Contributors

Sheila Drury OBE

Chair WIDAB

David Jenkins

General Secretary Wales TUC

Secretariat

John Grimes

Clerk

Sian Wilkins

Deputy Clerk

Apologies: None received.

Item1 - Chair's opening remarks

1. The Chair welcomed all to the meeting and invited people to speak in either Welsh or English.
2. She advised Members that the Committee's Review of Business Support & Development Services had been launched that day and that they would receive a hard copy during the afternoon. This had now been laid for debate in Plenary on 8 February. Work is in progress regarding the resolution and the Chair hoped that the Committee would be satisfied with it.
3. The Chair also reminded Members of the visit to the Assembly of the Northern Ireland Enterprise Trade and Investment Committee, scheduled for 1pm the following day. She hoped that as many members as possible could attend.
4. Following the OFWAT announcement today regarding Glas Cymru the Chair advised Members that Sue Essex, Minister for the Environment, had offered to brief Committee members and would be along later.
5. The Chair reminded Members that an additional informal meeting had been arranged for 4.30pm on 8 February with Sue Essex to discuss spatial planning. Some Members expressed concern over the lateness of the meeting which caused problems for North Wales Members in particular, not allowing sufficient time for travel to enable them to be available for Constituency business on the Friday morning. Another Member expressed concern at the lateness of notice of the meeting, but the Chair reminded Members that this date had been set aside in the Committee programme as a possible date for additional EDC business.

The Chair said that she would see whether the meeting could be re-arranged but reminded Members that this was an important issue and it is very difficult to find time in Member's diaries. **[Action: Clerk]**

6. The Chair also asked Members to respond promptly to e-mail from Committee Secretariat so that the Committee's work can be arranged effectively. **[Action Committee Members]**

Item 2 – Economic Development Minister's Report

1. The Minister apologised for the lateness of his report and made the following points, which were in addition to his report.
 - He confirmed the announcement today regarding job losses at Dairy Crest. The Company is relocating its cheese packaging operation from Carmarthen to Maelor near Wrexam in April 2001. This will result in job losses of 270 at Carmarthen and a gain of 175 at Maelor. It is also moving its Milk production at Marshfield to Severnside in February 2002 with the loss of 250 jobs.

- Baglan Energy Park has announced an additional £3m funding which will create a further 250 jobs for phase 1. This is also a substantial Objective 1 project.
 - Providing an update on Fiscal Variations the Minister advised the Committee that he was seeking tenders for outside assistance with the work. Discussions with the Treasury are continuing and he re-emphasised the importance of putting a sound case to them.
1. In the discussion, members expressed regret about the loss of jobs at Dairy Crest and while recognising that the net loss overall to Wales was mitigated by the job creation in Wrexham, the losses in a rural area such as Carmarthenshire was catastrophic. Apart from the direct employment impact, this would further peripheralise the West Wales milk field. The Minister commented that he hoped the effect on the milk industry in Wales would not be so great because the company wanted to increase its current purchases of 750 million litres per year. Officials said that work was in hand through the Employment Service and the TECs to seek to alleviate the impact of job losses and that Carwyn Jones was due to visit the company next week. A member commented that job losses of this kind were a reminder of the need to be proactive. It was suggested that the Assembly ought to be seeking to bring the Whitland plant back into production.
 2. A Member raised the issue of job losses of a fifth of the workforce at AB Connectors in a month's time and asked the Assembly to work closely with the Company. She has written to the Minister in this respect and he thanked her for her letter.
 3. The Minister confirmed that discussions about options to protect jobs at Corus had been going on continuously. He said that the company's failure to engage in any discussion was a major problem. It would be remiss of any government not to have support measures in place but without knowing the detail of Corus' intentions it was not possible to make any detailed plans to respond to them. He considered it totally unacceptable and inhumane for the company to behave in such a way and members wholeheartedly endorsed this view.

A member asked whether discussions in Downing Street had involved consideration of re-nationalising the steel industry but the Minister said he did not consider this a realistic option. He also reminded members that the present EU state-aid rules prohibited any financial aid to the company other than in very specific circumstances.

One member commented that, while he would not wish to defend Corus, he felt that the company's behaviour was a response to the economic climate in which they found themselves with: high exchange rates, taxes, interest rates etc and a climate levy.

4. In response to a question about the Valeo plant in Gorseinon, the Minister said that the WDA was actively involved and he was due to visit the Company next week. He confirmed that they were doing everything they could to persuade the company to change their mind about closure, or at least, to persuade them to locate other work at the plant.

Item 3: RSA

1. Opening the discussion, the Chair said that officials had provided a very full paper and it would obviously not be possible to examine every detail of the scheme. She hoped Members would prefer to give officials a steer on their priorities so that these could be taken account in the development of the scheme. She suggested members might first wish to ask any question on factual issues. In the discussion, the following points were confirmed:
 - Prior to the introduction of the current Assisted Areas Map, cost per job (cpj) limits of £6,000 and £17,000 operated in intermediate areas and development areas respectively. These applied across the whole of GB. With the introduction of the new map Wales was no longer had pre-set cpj limits only the EC limits of 35% in Tier 1 20% in Tier 2 areas in Powys and 15% in all other tier 2 areas. Nonetheless the scheme still operated on the basis of the 'minimum necessary'.
 - Companies receiving RSA were required to keep the jobs created or protected in place for 5 years. There was no control after this time. It was confirmed that new and safeguarded jobs were, in this respect, treated equally.
 - In the course of appraising an RSA application, officials looked at all aspects of the case including the quality of the jobs and pay levels. There was a preference for projects offering good jobs but, nonetheless, the scheme was demand led and no project would be rejected for lack of money. Introducing a degree of sectoral selectivity might result in a requirement to restrict aid to certain types of project. It was noted that the needs of a particular area should also be taken into account alongside the quality of jobs that were available.
 - Officials were still continuing to promote RSA. By the end of the current financial year some 28 promotional activities will have taken place, 21 of these in West Wales and the priority areas. In addition, information was available on the Assembly's web site and the WDA were fully aware of the availability of RSA and promoted it as part of the package of support available to investors.

- A case officer would always try to indicate immediately if a potential project was likely to be ineligible. However, in some cases it was not necessarily clear-cut and they may need to make further enquiries sometimes in consultation with the DTI or others. In such cases every effort was made to give a response to a company within a few days.
- It was not easy to tell whether SMEs received more support than non-SMEs because of the way the data was collected. Currently, the Department shared an information system with England and Scotland and this provided comparable data with other parts of the UK. However, it was recognised that there was a need for further information about what was happening in Wales and consideration was being given to a second parallel data system to provide this.
- It was noted that where more than one agency was involved in attracting investment to an area, each was likely to count all the jobs amongst their performance figures. Consequently, there was a high level of double counting.
- A recent innovation in the RSA scheme was the introduction of aid for job creation. This proposal, which needed clearance by the EC, was based on the level of salaries paid for new jobs and would allow the Assembly to offer greater support to projects which created high quality jobs but had relatively little associated capital investment.

1. The Chair asked Sheila Drury, as Chair of WIDAB, to give her observations on the scheme.

She said that she had been involved with RSA for a number of years and thought it was a very practical scheme that offered genuine help. Members of WIDAB were 8 practical people who were accustomed to examining and testing business plans. They were always eager to help but had to be satisfied that an applicant met the criteria for the scheme and that the case was robust.

She said the scheme was very flexible and that they worked closely with other bodies such as the TECs and the WDA. She noted that the WDA in many cases were the 'market makers' and therefore it was important that once a project had been identified an independent body tested the case for grant. She confirmed that in looking at numbers of jobs to be created by a project they did not focus solely on numbers and that the papers always specified quality considerations such as salary levels, training, technical content etc. She thought it would be helpful if they were to introduce a checklist in order to formalise this part of the appraisal process.

In the discussion, she said that while WIDAB could take account of the value of direct jobs, it was less easy for them to have regard to 'spin off' benefits although

this was normally referred to in the papers.

2. A member asked whether she considered it would be valuable for the WDA to provide a direct input on individual cases since they would have worked closely with them for a considerable time. Sheila Drury, and officials, said that they worked closely with the WDA all through the application process. The WDA attended WIDAB and was free to speak on any case. A member asked about the proportion of applications which were approved. The response was that in a number of cases a company is advised at the first meeting that their project is likely to be ineligible. In some, after a positive first meeting the company might choose to leave it for 6 months or longer before returning to discussions.
3. Summing up the discussion, the Chair thanked Sheila Drury for her helpful description of the way that RSA operates. She said that Members would welcome regular reports on the scheme to allow them to monitor its impact. In particular they would be interested in: the types of project being considered and approved; the sectors and parts of Wales in which they fell, the age of the companies involved, the split between new and safeguarded jobs, pay levels and quality considerations. Also the statistics demonstrating the percentage of applications that result in a successful outcome and processing times. [**Action: Economic Development Minister**].

Item 4 – Wales TUC

1. The Chair welcomed David Jenkins General Secretary of Wales TUC and said she felt it was an appropriate time for the TUC to address the Committee, recognising that the issues of social partnership are a fundamental platform on which to build economic development. The recent WTUC report on manufacturing was also timely. She invited David Jenkins to highlight the issues he would want the Committee to consider.
2. David Jenkins recognised that most of the recommendations in the manufacturing strategy will be determined away from this Committee. However he stressed that whilst CETW is able to identify training needs in manufacturing there are weaknesses in the current strategy, particularly with regard to R&D. He then identified the following points as areas that the Committee should give

consideration to.

- Clarification is needed between the National Assembly for Wales and the DTI as to an overall industrial strategy. The position in England seemed clearer. DTI had made money available to promote partnership but this had not been used effectively in Wales and he looked to the Assembly to address this.
 - Insufficient importance is currently placed on working partnership and he referred to successful economies who use the social partnership model and who benefit from productivity gains. He pointed to successes achieved in Wales in the 1980's which he said were due to the Welsh Office promoting partnership and adopting a team approach. He commented that the National Assembly is good at promoting partnership at a Macro level but is silent on promoting partnership in the workplace. He felt that policy makers may have become complacent and said that he wanted to see the Assembly re-grasping and developing the partnership model of the 1980's
 - He also reminded Members that in the 1980's Trade Unions were actively involved in discussion with new inward investors and that employers were encouraged to see that this was a natural way of doing business in Wales. However the Trade Unions are no longer so closely involved with the Economic Development Agencies and it is time that this was remedied.
1. A Member commented that one of the reasons for the success of the 1980's was that there were no rules surrounding partnership. Team Wales encouraged an informal approach. We can set up rules for partnership, but partnership only works where there is real commitment from the partners involved. Another suggested that one of the reasons for success in the 1980's may have been due to the lower level of employee protection and referred to the Scandinavian model where employees and trade unions had involvement in the actual running of meetings.
 2. Some Members commented that in some areas there is a plethora of partnership groups – but still not enough actual partnerships working. The Objective 1 Task and Finish Group for example were surprised to learn that in the end there were more partnership groups rather than less and a Member reminded Committee members that this was an area the Programme Monitoring Committee is concerned about.
 3. In answer to these points David Jenkins stated that whilst it was true that there was more employee flexibility in the 1980's inward investment was not secured on the basis of low wages. Moreover he said that the Wales TUC was not prescriptive about partnership arrangements and did not see themselves as the only facilitators. It was up to the TUC to win the support of the workforce and promote its role in developing partnership. He said that the success of the 1980's

in Wales was due to consecutive Secretaries of State who promoted the partnership model through Team Wales. He also stated that Wales TUC was an advocate of partnership for the management of EU funds but added that the myriad of partnerships that exist should be examined.

4. In conclusion he asked the Assembly to promote, advocate and support the partnership model as the most likely way forward for economic success.
5. The Minister thanked David Jenkins for his presentation and said that he felt the paper should be included for discussion at the next Business Partnership meeting. He also said that he was keen to see details of headline action that Wales TUC saw as priorities.
6. In summing up the chair welcomed the discussion generated by Wales TUC and said that it was important that these issues were included in the National Economic Development Strategy. She endorsed the importance of safeguarding and developing the manufacturing sector and highlighted the need for work in research and development.

She identified the importance of the Assembly developing a relationship with the DTI and the need to be clearer about the extent to which funds can be drawn down.

In conclusion the Chair suggested the following points for action.

- The Wales TUC paper should be put on the agenda of the Business Partnership Council. **[Action: Economic Development Minister]**
- It would be useful for officials to meet with Wales TUC to put together an action plan. **[Action: Economic Development Minister]**

Item 5 - National Economic Development Strategy

1. Introducing the latest version of the paper, the Economic Development Minister outlined the extensive amount of work that had been undertaken in preparing the draft strategy, which he said had involved 7 meetings since September, 15 papers and 3 informal discussions. He said that what was needed now was a strategy, not a plan, to provide a basis for developing the economy and creating greater prosperity. He said that the draft document faced up to the truth that Wales was in economic terms a poor region and identified what we should be aiming at if we are to go forward. He said that what was critical now was the direction not detailed analysis of how one measured it. He said that the draft

document before the Committee was intended as a basis for consultation, to broaden the debate and to bring others into the discussion.

2. Gareth Edwards outlined the changes that had been made since the last meeting. The strategy now more clearly identified the resource consequences of individual programmes, made proposals for implementations, strengthened the links between analysis and policies, expressed targets in clearer terms, and indicated the wider impact of the proposals. He said that the drafting group had tried to look at Cost Benefit analyses and had drawn in evidence of research and evaluation where it was available. Nonetheless, despite all these changes, the document was still considered as a basis for consultation.
3. Since the last EDC there had been further opportunity for members to input on the draft and a meeting of the sub group and members thanked officials for the substantial amount of work that had gone into revising the paper. Many members felt that there had been considerable improvements in the document and that the issues they had raised had been addressed.

Some members however considered that the paper still needed strengthening as a basis for an economic strategy. In particular it was stated:

- It lacked clarity as to its purpose and was too vague and ambiguous;
 - It needed to be based on greater research and evidence and a clearer analysis of the key issues;
 - It needed to be preceded by a 'scoping analysis' to identify whether, in fact, a strategy was needed and, if so, the kind of strategy;

 - Timing should not be governed by the budgetary process but the need to get the document right. It was important in going out to consultation that the document was one in which the Assembly had confidence. If it was too vague, there would be a need for a second consultation later on;
 - The targets were unrealistic and projected growth levels, which on the basis of historical evidence were unlikely to be achievable.
 - The strategy needed to set out plans, policies and resources in terms that could meet the targets and should address the question of whether these required a change in the Assembly's priorities for its expenditure or new money from the UK Government.
1. Bearing in mind these views, some members considered that it was not appropriate to go out for consultation because there were too many questions left unanswered. A contrast was drawn with the Objective 1 Single Programme document and the recent Review of Business Support Services reports, which had involved a substantial amount of work and yet had a much narrower range than the NEDs.

5.5 Other members took differing views:

- The Committee had done extensive work in advising on the drawing up of the strategy. The process had been started around 18 months ago and had always been seen as a long term and continuing process;
 - An economic strategy would never be complete – it was a mapping of the framework for growth and opportunities and would be a statement of priorities at a point in time. These could and would change in the future.
 - Publishing the strategy as a consultation document did not mean that work on developing it further would end but would allow the debate to be widened.
 - It would also provide a policy basis to assist the development of other programmes whereas holding back would leave a vacuum. Many organisations were awaiting the strategy to plan their activities.
 - Consultation would allow wider expertise to be brought into the work – it would be wrong to leave consultation to a stage at which there was little room to make changes. It was inappropriate that such a work should be determined by thinking from within the Assembly as widespread ownership will be needed.
 - The NEDs should not be seen in isolation. The proposals in the Review of Business Support Services for an Economic Board would lead to the establishment of machinery to provide better data for monitoring the economy and this in turn would greatly facilitate the refinement of the NEDs.
 - There was a need now to go out and talk to people about the development of the strategy and what it is hoped it might start to achieve. Current concern about job losses in the steel industry made this particularly urgent.
6. Members noted that the Strategy was not at this stage a Committee document but one from the Executive. After a lengthy discussion a resolution was proposed by Ron Davies and seconded by Alun Cairns.

"Members expressed their reservations about the report in its present form but noted that it was the Economic Development Minister's intention to publish it as the basis for further consultation."

An amendment to include words "as work in progress" after "publish it" was proposed by Christine Gwyther and seconded by Mike German.

Voting was as follows:

For: Val Feld, Mike German; Christine Chapman, Christine Gwyther, Alison Halford. (5)

Against: Alun Cairns, Glyn Davies, Ron Davies, Dafydd Wigley, Phil Williams, Brian Hancock (6)

The amendment fell.

The Resolution was put to the committee and voting was as follows:

For: Alun Cairns, Glyn Davies, Ron Davies, Glyn Davies, Dafydd Wigley, Phil Williams; (6)

Abstentions: Christine Chapman, Christine Gwyther, Alison Halford, Val Feld, Mike German. (5)

The Resolution was carried.

Item 6 – Regulatory Reform

This paper was discussed only briefly. Members welcomed the increased powers to remove burdensome legislation. They were however concerned that it would be exercised from England and suggested that Clause 1 of subsection 4 of the Bill should be amended to replace "may be made only with the agreement of the Assembly" to read "may be made only *by or* with the agreement of the Assembly."

In view of the need to report to plenary by 13 January they agreed that a final submission could be approved by a sub-Committee of the 4 party spokespeople.

Item 7 – Minutes of the meeting held on 17 January 01

1. Members agreed that the Minutes were a true record of the meeting.

Additional Item – Report on Glas Cymru from Sue Essex (Minister for the Environment).

The Chair welcomed Sue Essex to the meeting and thanked her for coming at short notice to update the Committee on latest developments with the acquisition of Dwr Cymru by Glas Cymru.

The Minister for the Environment confirmed that the Water Regulator had announced that he was not planning to oppose the acquisition of Dwr Cymru by Glas Cymru provided conditions he had set out were met and that proposed licence modifications were agreed. The acquisition would now be subject to the company being able to secure the financing required. She said that the Regulator had come to this decision 'on balance' - having concluded that the

arrangement would bring benefits to consumers. He had also taken account of the views and the role of the Assembly.

She said that work still had to be done on the detail of the acquisition and that EPT Committee would need to look at this as appropriate in due course.

While noting that Glas Cymru still had to demonstrate that the business could be run commercially, Members generally welcomed the decision. They remained concerned about the jobs of employees in Wales and urged the Minister to continue discussions with the company to ensure everything was done to secure their long-term future. The Minister recognised these concerns but noted that there were also pressures for the business to be run as efficiently as possible if it was to deliver the anticipated benefits to consumers in terms of price reductions and wider environmental improvements.

The Chair agreed to write to Glas Cymru acknowledging the significance of the OFWAT decision and urging the Company to do its utmost to safeguard jobs in the water industry.

[Action Clerk]

Committee Secretariat